

***RJR* Merchandising**
Contract Program Revisions

Hudson News Company

RJ Reynolds
Tobacco Company

The Economics of the Cigarette Business have Changed

- **Competitive pricing has produced significant changes in cigarette profitability**
- **This is leading to a new focus in the way we market our products**

New Contract Program

Package Outlets — Component

Program Elements :**RJR Full Price display in prime position****RJR Savings brand pack display(s)****RJR signage**

Program Elements	Industry Volume (Avg. Cartons per Week)				
	<u>76 - 99</u>	<u>100 - 149</u>	<u>150 - 199</u>	<u>200 - 249</u>	<u>250 +</u>
Full Price Displays	\$ 25	\$ 35	\$ 45	\$ 55	\$ 65
Savings Displays	\$ 15	\$ 30	\$ 35	\$ 40	\$ 45

Plan Requirements :

- RJR brand distribution in all price tiers, as required
- No competitive disadvantage for RJR brands
- Equal opportunities for RJR displays and signage
- Placement of RJR displays and POS materials mailed to retail store
- Accurate RJR and Industry volume provided to RJR representative

New contracts are effective as of 1/1/94

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RJR Display Program 1994

Program Requirements:

1. Stores must fit within volume categories

Volume Category (cigars sold per week)	Monthly Payment
76-99	\$ 25
100-149	\$ 35
150-199	\$ 45
200-249-	\$ 55
250+	\$ 65

2. Enhanced signage must be placed in full view of the customer.

Qualifying Store List (volume verifications made 11/1/93)

Volume Category	# Stores Qualifying	Monthly Payment	Annual Payment
250+	2	\$ 65	\$ 1,560
200-249	4	\$55	\$ 2,640
150-199	1	\$45	\$ 540
100-149	1	\$35	\$ 420
76-99	13	\$25	\$ 3,900
0-75	27	no payment	
		Potential Annual Payment 1994	\$ 9,060

Category Profitability

- Focus on *Category Management*
- RDA \$'s represent only a small percentage of category profit dollars
- True cigarette profitability comes from :
 - Product selection / Brand style availability
 - Inventory Management / Ordering procedures
 - High-Impact Merchandising / Space management
 - Product pricing / Penny profit strategy
 - Promotion planning / execution
 - Building sales volume

RJR Partnership in Category Management

- **RJR will continue to assist in the management of your cigarette category**
- **RJR has the fixtures and ability to maximize your merchandising impact**
- **RJR has the tools and expertise to help you optimize your cigarette profits**

We Work for Smokers

We Appreciate Your Business

